

# FOREIGN POLICY BULLETIN



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## **'Deviation' and Western Influence Irk Cominform**

While France and Italy, which in recent months had come to be regarded as relatively "safe" from the danger of communism, braced themselves to cope with a new wave of Communist agitation directed against the approaching delivery of American arms under the North Atlantic pact, stepped-up measures of repression in Eastern Europe and the Balkans against both pro-Western elements and Communists of "Titoist" leanings indicated that the U.S.S.R. also is not free of international preoccupations.

### **Fight on 'Titoism'**

In the political sphere the Communist governments of Poland, Hungary, Czechoslovakia, Bulgaria and Rumania have bluntly denounced several leading Communists for attempts to follow the example of Marshal Tito and have linked these attempts with alleged espionage and sabotage activities on the part of the Western powers—Britain, France and the United States—which are claimed to have abetted Yugoslavia's defiance of the Kremlin. In Hungary Lazlo Rajk, former Interior and Foreign Minister, and in Bulgaria Traicho Kostov, former Deputy Premier, have been tried and executed on charges of this character. In Poland popular Wladyslaw Gomulka, former Minister for Recovered Territories, has been expelled from the Central Committee of the Polish Communist party after having been deprived of official functions in 1948, and it is reported that he may be put on trial for "nationalist deviations." In Hungary Matyas Rakosi, top Communist, called for the dissolution of the entire executive com-

mittee of the Hungarian Communist party—the third purge of that organization in one year. In Czechoslovakia Ladislav Kopriva, president of the National Committee of the Prague Region, asserted on March 2 that the Communist party, trade unions and nationalized enterprises were filled with Western and Titoist spies and saboteurs, and reports indicate that a number of important Communists have been ousted from their offices and in some cases imprisoned.

In Cominform countries these accusations have been preceded and accompanied by charges against diplomatic representatives or business men of Western nations. In Poland the charges involved members of the French diplomatic mission and consulates; in Czechoslovakia they concerned British, French and Dutch diplomatic missions, as well as some business men and clergy; in Hungary, the British Edgar Sanders and the American Robert A. Vogeler; in Bulgaria, native citizens who had worked for the American legation. At the trials of accused Westerners every effort was made by the prosecution to demonstrate that the Western powers, particularly the United States, are determined to wage war on the Russian bloc and are preparing the ground for aggression by espionage and sabotage.

These charges have been promptly and vigorously rejected by the United States, Britain and France. The United States Department of State described the Hungarian statements about Vogeler, for example, as without basis in fact. The alleged confessions made by the accused have been attributed entirely to various

methods of pressure including torture, and a detailed statement of the treatment undergone by Michael Shipkov, a Bulgarian employee of the United States legation in Sofia, was made public on March 4 in support of this view.

Some American correspondents pointed out that the collection of economic and military information which in Western nations might be regarded as within the ordinary functions of diplomatic missions and business men was regarded as spying by the Eastern European regimes. It is a matter of common knowledge, moreover, that the British have always—long before communism appeared on the international scene—enlisted "agents" from business and other groups for intelligence services. The *Christian Science Monitor*, which continues to give the best available coverage on the Eastern European countries, in an editorial of February 21 entitled "Spies? Certainly!" said: "Outside of a few military intelligence officials, probably no one in America can tell whether to believe the confession of Robert A. Vogeler or not. . . . Spying is a cold-blooded, hazardous and unpleasant business. It is regrettable that the distrustful and embittered attitude of the men in the Kremlin and the Cominform compels its use."

### **Anti-Western Drive**

But even if the Western diplomats had abstained with the utmost rigidity from any inquiries as to existing conditions in the countries to which they are accredited, they would have been suspect if only because the opponents of the existing re-

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gimes openly look to the West, chiefly to the United States, for the overthrow of Communist rule through war or active aid to resistance movements. This hope makes all Western enterprises—diplomatic, business, religious, educational—whether they will it or not, focal points of attraction to opposition groups. As a result, the termination, or at least drastic limitation, of all activities by Westerners has become one of the principal objectives of Communist regimes. Efforts by all the Cominform countries to “nationalize” the Roman Catholic Church and to cut off relations between the Catholic hierarchy and the Vatican are other facets of this anti-Western drive. While it is reported that Bulgaria regretted the closing of the United States legation on February 21, it would appear that further attempts will be made by the other Cominform countries to force the withdrawal or reduction of Western missions. Suspension or deterioration of political relations has also affected trade relations with the West, notably between Poland and France.

Whether or not it would have been wiser for the United States to tolerate the Communist governments’ restrictions and at least maintain tenuous diplomatic relations, as Britain has done and intends to continue doing, is a question that has aroused considerable difference of opinion among American representatives in that area. For the time being, according to *Christian Science Monitor* dispatches from Budapest, the alleged failure of the United States to render the aid anticipated by opposition groups, and especially the closing of the American legation in Sofia, have reduced American prestige to a low point in the eyes of communism’s opponents.

The current drive to oust Western representatives or at least isolate them from the native population is paralleled by an all-out attempt to eliminate all contacts with the West, even on the part of the “Old Bolsheviks” who in the past had worked with Communists in Western countries as well as with the Russians, and to substitute exclusive ties with Moscow-trained Communists. These party purges have apparently had the effect of stiffening nationalist sentiment in the Cominform countries against Russian intervention and, to the dismay of some pro-Moscow Communists, have created widespread support for Communists who oppose the Kremlin and show concern with national interests—notably Gomulka in Poland. As in the case of Yugoslavia, the most effective challenge to Moscow has been delivered not by the anti-Communist opposition but by independent-minded Communists.

### *Pointers for Western Policy*

Under these circumstances, the West may find that the policy followed until recently of lumping Russia and communism together in the propaganda we direct to Eastern Europe and the Balkans may hamper, and not aid, Washington’s current efforts to stabilize and strengthen various areas of the world as a prerequisite to some kind of a settlement with the U.S.S.R. It would be encouraging to learn that the Western powers may count on a strong and united pro-democratic front in the Cominform countries to oppose communism. This, however, does not appear to be the case. To quote the *Christian Science Monitor* again, as of the end of February: “opposition to Czechoslovakia’s

Communist regime lacks a program and leaders both at home and abroad”—a statement confirmed by the violent bickering now going on in the United States between spokesmen for Slovaks and Czechs. What do the Czech people want? According to the *Monitor*, “the Czech people who are against the regime are starved for leadership and a positive program. Many of them probably would want to retain socialism, retain the land reforms, and retain some of the restrictions against the Roman Catholic Church.” This estimate can be checked by the situation in Yugoslavia, where Tito’s defiance of the Kremlin rallied around him many people previously opposed to communism, but where so far there seems to be no prospect of retreat from the Communists’ program of industrialization and “socialism.”

It is by no means an easy task for the United States to formulate and carry out a constructive policy—not merely a policy of opposing communism—in the midst of what seems a perfect morass of national, religious and political hatreds exploding into violent attempts at mutual destruction and subversion. In the case of Yugoslavia, however, Washington has found it possible to deal with a Communist government, which, in turn, has shown itself eager to accept financial aid from the United States provided aid was not accompanied by conditions as to the policy Tito should follow at home and abroad. If other regimes in Eastern Europe and the Balkans eventually reject Russia’s domination, while retaining Communist ideas and practices, this country’s experience with Yugoslavia may produce a workable formula.

VERA MICHELES DEAN

## ***European Payments Plan Next Step Toward Integration***

With the arrival in Washington on February 27 of Dr. Dirk U. Stikker, Netherlands Foreign Minister who is to be the “political conciliator” of the European Marshall Plan Council, the proposed European Payments Union becomes the issue of the moment in international economic relations.

The need for integration, or what is the same thing—the need for relaxing the obstructions that attenuate and distort intra-European trade—has long been recognized. The crucial element in the economic picture is that whereas integration was originally a less urgent aim than reconstruction, it has now assumed “pride of place.”

Clearly, the more use Europe makes of its own resources the sooner will recovery be attained and the lighter will be the burden on the United States. The proposed payments union is the latest and most comprehensive in a series of technical arrangements designed to unfetter intra-European trade.

### *Earlier Techniques*

The first device used for this purpose was referred to as the system of “off-shore purchases.” This plan permitted European debtors to finance their deficits with participating creditors by using ECA dollars. The dollar thus did double duty, going

from debtor to creditor and thence to the United States. The merit of the plan was its obvious success in stimulating intra-European trade. Its great disadvantage was that it made the dollar the sole working currency in Europe. This served to negate the avowed aim of the United States to rebuild a European economy that could stand on its own feet.

In September 1948 a more effective arrangement called the Intra-European Payments Plan was instituted. Here the aim was to help those who helped others. Part of the dollar-aid to nations which had a creditor status in Europe was given on a conditional basis. The condition was that

creditors extend to debtors a sum in the creditor's currency to the amount of the deficit. Once the credit has been extended, the issuing nation receives an ECA dollar allotment of like amount. The merit of the plan was that it financed trade deficits, and thereby prevented them from reducing the volume of trade. It was still a long way, however, from free intra-European multilateral trade. The credits, or "drawing rights," could be used only for purchases in the creditor nation, and the debtors were unable to shop around to determine the cheapest market in which to buy. This restriction on the use that can be made of a nation's currency has caused such money to be described as "soft" currency.

Further progress was made in September 1949 when the nations agreed that 25 per cent of the drawing rights extended by creditors could be converted into the currency of any of the participating nations. The conditional dollar-aid was to be given to the nations whose currency was desired by the debtors. This is the plan currently in use, and it is hoped that the proposed European Payments Union will represent still another step in the march towards freer European trade and completely convertible, or "hard," currencies.

### ***The Proposed Plan***

The details of the proposed plan are quite different from the earlier arrangements, although the intent is the same. Of

the total currently requested aid of \$2.95 billion, it is suggested that \$600 million be set aside for the payments union. This union will serve as an international clearing house through which the central banks of the participating countries will be able to settle their accounts with one another. Within the union each nation's credits and deficits will be so offset that only a single payment between each participant and the union is required. A debtor nation, instead of receiving drawing rights from its creditors, will have the right to draw, within stated limits, any European currency from the union. Creditor nations will provide their currency to the union as requested. Under this system it is impossible to predict in advance the nature of the debtors' requests, and the conditional ECA aid cannot even be tentatively allocated beforehand.

Under ordinary circumstances the debtors will eventually have to settle their obligations to the union by paying part of their debt from their own dollar or gold reserves; likewise, the creditor nations will receive only part of their surplus in dollars or gold, and the balance will be credited to their account in terms of European currencies in the union. ECA funds will be available for this purpose until 1952. As yet no percentages have been announced to indicate what part of total payment would be made or received in gold or dollars and what part in local European currencies. It is hoped that the requir-

ment for debtors to make part payment from their own gold and dollar reserves will give them an incentive to avoid a trade imbalance. Similarly, it is hoped that the requirement for creditors to finance part of their surplus by extending credits will make them more willing to import and hence bring them nearer to a balanced trading position also.

### ***The Future***

Marshall Plan officials expect that the organizational structure of the payments union will continue after 1952 and carry out its clearing house and convertibility functions after ECA funds are no longer forthcoming. The efficacy of the union will undoubtedly turn on its ability to allow for the special problems of Britain within a European-wide organization. British spokesmen, Labor and Conservatives alike, have long expressed willingness to cooperate on matters of economic integration, but they insist Britain's role as leader of the sterling bloc differentiates its problems from those of the other participants. They claim that London's sterling debt to various parts of the Empire for wartime purchases is so great that their limited dollar and gold reserves could not stand the strain of convertibility.

The possibility of accord, however, is good, because the proposed union will deal only with current accounts, and there the British position is not too unfavorable.

HOWARD C. GARY

## ***FPA Bookshelf***

*Hindu View of Christ*, by Swami Akhilananda. New York, Philosophical Library, 1949. \$3.00

Apart from its religious and philosophical interest, this study by one of the followers of Sri Ramakrishna contributes toward an understanding of modern Indian thought.

*Socialism*, by Paul M. Sweezy. New York, McGraw-Hill Book Co., 1949. \$3.50

This volume, by one of America's leading Marxian economists, analyzes the status of socialism today in the Soviet Union, Britain and Poland, then gives a history of Socialist thought and political activity and concludes with a refutation of some anti-Socialist arguments.

*North African Notebook*, by Robin Maugham. New York, Harcourt, Brace & Co., 1949. \$3.00

The nephew of W. Somerset Maugham gives an illuminating description of a trip from Tangier to Benghazi and concludes with some trenchant observations on the strength of pan-Arabism and movements for independence, the self-defeating policies heretofore followed by the administering powers, and a call for a Monroe Doctrine for the Middle East accompanied by a new attitude of friendly cooperation by the West and the abandonment of xenophobia by the Arab leaders.

*A Communist Party in Action, An Account of the Organization and Operations in France*, by A. Rossi. New Haven, Yale University Press, 1949. \$4.00

A case study of the French Communist party in action before and during World War II, including details of its organization, tactics, propaganda and political techniques by an Italian associated with the Comintern until 1929 when he broke with the Communist party and became a Socialist writer and editor.

*Roosevelt and the Russians: The Yalta Conference*, by Edward R. Stettinius, Jr. Edited by Walter Johnson. Garden City, Doubleday & Co., 1949. \$4.00.

In this personal report, an interesting addition to the lengthening shelf of memoirs on the Roosevelt period, the late Secretary of State expresses the conviction that the President, contrary to subsequent criticisms of his policy, knew exactly what he was doing at Yalta. "President Roosevelt," he concludes, "was well aware of the nature of Soviet society. . . . But he also had a strong sense of history. It was essential that Prime Minister Churchill and President Roosevelt make an honest attempt at Yalta to work with the Russians. For the peace of the world, they had to make every effort to test the good faith of the Soviet Union."

*Peace on Earth*, with an introduction by Robert Sherwood. New York, Heritage Press, 1949. \$3.00

A collection of brief essays by officials of various United Nations agencies on the objectives and achievements of the projects for which they are responsible. The volume includes texts of the UN Charter, the Statute of the International Court of Justice and the Declaration of Human Rights.

*The American Spirit in Europe: A Survey of Transatlantic Influences*, by Halvdan Koht. Philadelphia, University of Pennsylvania Press, 1949. \$3.75.

Professor Halvdan Koht, distinguished Norwegian historian who has taught at several universities in this country, presents an interesting survey of the various ways in which the United States has influenced thought and action in Europe, from the American Revolution to the years of Franklin D. Roosevelt.

*My Three Years in Moscow*, by Lt. Gen. Walter Bedell Smith. Philadelphia, J. B. Lippincott Co., 1949. \$3.75.

This survey of conditions in the U.S.S.R. and of the issues at stake between Washington and Moscow, by the former American Ambassador to Russia, is marked by realism and common sense and constitutes a genuine contribution to the field of Russian studies.



*Disaster Through Air Power*, by Marshall Andrews. New York, Rinehart & Co., 1950. \$2.00.

A vigorous attack by the military writer of the *Washington Post* on Air Force officials who, he believes, are misleading Congress and the country by claiming that air power will assure a quick, easy and relatively inexpensive victory—none of which claims, in his opinion, are true. If the United States relies on air power as its principal weapon, says Mr. Andrews, we are headed for disaster.

*Stalin: A Political Biography*, by Isaac Deutscher. New York, Oxford University Press, 1949. \$5.

A former Polish Communist, who has lived in England since 1939, contributing to the *London Economist* and the *Observer*, presents a brilliant and discerning study of Stalin, the first-published volume of a trilogy that will include companion studies of Trotsky and Lenin. The detachment of this book cannot please either Stalinists or anti-Stalinists. Its chapters on Stalin's policy in foreign affairs are particularly interesting.

The student of contemporary events will want to compare Deutscher's volume with *Stalin and German Communism* by Ruth Fischer (Cambridge, Harvard University Press, 1948, \$8.00), a former German Communist, which contains valuable material on fundamental differences between the views of Lenin and Stalin concerning Germany.

*Characteristically American*, by Ralph Barton Perry. New York, Alfred A. Knopf, 1949. \$3.00.

In these lectures, delivered at the University of Michigan under the William W. Cook Foundation, Dr. Perry, Egar Pierce Professor of Philosophy, Emeritus, of Harvard University, offers a witty analysis of the American character which should reinvigorate our faith in this nation's qualities.

*The Vital Center*, by Arthur M. Schlesinger, Jr. Boston, Houghton Mifflin Co., 1949. \$3.00.

A Pulitzer Prize-winning historian, one of the founders of Americans for Democratic Action, does a neat job of dissecting extremists of Right and Left, but leaves the task of detailing a concrete "vital center" program for another book and does not give sufficient weight to the problems faced by the United States in discovering "vital centers" to cooperate with in other countries.

*The Western World and Japan*, by Sir George B. Sansom. New York, Alfred A. Knopf, 1950. \$6.00.

A basic history of the impact of the West upon Japanese civilization through the Meiji period. It clearly shows that "even assuming the perfection of Western models, the evolution of modern Japanese life has been conditioned by a past that made the adoption of purely Western practices unnatural and indeed impossible."

*The Last Optimist*, by Julio Alvarez Del Vayo. New York, The Viking Press, 1950. \$4.00.

Less an autobiography than an absorbing commentary on twentieth-century affairs, this book is packed with the author's first-hand experiences in Europe and America as student, journalist, diplomat and Foreign Minister of the Spanish Republic, and now as foreign editor of *The Nation*, and is infused with his unquenchable faith in the ability of men to find a rational solution to the problem of war or peace. Although *The Last Optimist* is not primarily an account of the battle for Spain, it does give a left-wing Socialist's side of certain controversial events during that period as well as of what he terms the "drift toward surrender" among Spanish republicans in the post-1945 period.

## Branches and Affiliates

POUGHKEEPSIE, March 10, *Roots of the German Problem*, Hans Simons

\*BUFFALO, March 11, *Impact of Atomic Energy*, Herbert S. Marks

MILWAUKEE, March 11, *Britain's Role In The World Today*, Sir Leslie Rowan, Henry Siegbert

\*BOSTON, March 14, *Where is China Now?* Mrs. John K. Fairbank

\*CLEVELAND, March 16, *Canadian-U.S. Relations*, The Honorable Lester Pearson

\*RHODE ISLAND, March 23-30, *World Affairs Week*, DeVere Allen, Edwin D. Canham, Quincy Wright, The Hon. G.C.S. Corea, Sir Carl Berendson, Dr. Carl J. Friedrich, Gen. Alexander Vandergrift

\*BETHLEHEM, March 24, *The Nuremberg Trials*, Eugene Miller, Samuel M. Hes-son, and film

\*Data taken from printed announcement.

## New FPA Economist

The Foreign Policy Association announces with pleasure the appointment of Howard C. Gary as economist on the Research Staff. Mr. Gary received his Ph.D. in 1950 at the University of Wisconsin and has taught economics at the Universities of Wisconsin, Vermont, Birmingham, England, and Leyden, Holland.

## Peace or War in Near East?

In the midst of reports of Israel-Jordan peace negotiations come Israeli charges that the Arab states are preparing for renewal of armed strife. What are the present policies of the Arab states? What is the outlook for the future in one of the world's historic storm areas? READ:

CRISIS IN THE ARAB EAST

by J. C. Hurewitz

March 1 issue

*Foreign Policy Reports*—25c.

Subscription \$5; to FPA members, \$4.

*Munich: Prologue to Tragedy*, by John W. Wheeler-Bennett. New York, Duell, Sloan and Pearce, 1948. \$5.00.

A noted British historian turns his attention to a fateful period to produce a comprehensive and balanced study. He describes it as a "case-history in the disease political myopia," and points the moral of the indivisibility of peace.

## News in the Making

AUGURY FOR MIDDLE EAST PEACE: Israeli-Jordan negotiations for a five-year non-aggression pact may break the deadlock on a Middle East settlement. The proposed agreement, details of which were disclosed on March 1, would not settle the thorny problems of permanent boundaries, Jerusalem or the refugees—issues now before the UN Conciliation Commission. It would, however, aid resumption of normal trade, give Jordan port facilities at Haifa and provide freer communication between Arab Palestine and Israel.

U.S. AID FOR INDO-CHINA?: Viet Nameese spokesmen in the Bao Dai government are emphasizing the need for American economic aid which they want to receive directly rather than through the intermediary of France. Nguyen Huu Tri, governor of North Viet Nam, declared on March 5 that direct aid would strengthen the new government politically in the eyes of nationalists who seek greater independence from France.

NEW VALUE OF SOVIET RUBLE: The announcement of the Council of Ministers of the U.S.S.R. on February 28 that the international value of the ruble had been appreciated also revealed that the value of the ruble was henceforth to be measured in terms of gold rather than, as formerly, in terms of dollars. The ruble was declared worth 25 cents compared to the old rate of nearly 19 cents. Combined with price reductions of 15 to 35 per cent on 234 classifications of goods, the change indicates a strengthening of the Soviet financial system. It will, however, have little effect on American-Soviet trade, which is governed more by political and security considerations than by price differentials.

SAAR ISSUE ALARMS BONN: The conclusion on March 4 of a treaty between France and the Saar providing for the administrative autonomy of the area and fifty-year leases of the Saar coal mines to France has aroused resentment on the part of the Adenauer government, which sees in this treaty an attempt by the Western powers to detach German territory in the West comparable to Russian and Polish acquisitions of German land in the East.

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